



**TESTIMONY OF
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
SUBMITTED TO THE
APPROPRIATIONS COMMITTEE
FEBRUARY 14, 2017**

Good day. My name is Peter M. Gioia. I am the vice president and economist for the Connecticut Business and Industry Association (CBIA). CBIA represents thousands of firms, both large and small throughout Connecticut.

CBIA wishes to comment upon H.B. No. 7027 AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE THIRTIETH 2019, AND MAKING APPROPRIATIONS THEREFOR.

CBIA recognizes that the state again faces significant fiscal challenges and difficult choices. Certainly this bill reflects those realities and should be a base for thoughtful discussion as you in the General Assembly revise the bill into your appropriations proposal. While the Governor has taken strong actions in many areas to close a massive fiscal hole, we see more areas for improvement. We recognize this is a tough budget plan with some painful adjustments, but as the Governor and Secretary of OPM have stated the times demand it. We are encouraged that they have recognized we have serious economic issues which have impacted the revenues of the state as well as heightened risks of losing companies and investments which lead to tax producing job creation. The most critical thing the legislature can do to improve our economy is to restore confidence in business leaders that the state can sustainably manage its fiscal operations for the foreseeable future.

Part of the job of Connecticut companies is to generate good jobs that provide good wages that generate revenue for the state so it can deliver core services like education and transportation that families rely on. Uncertainty at the Capitol makes it harder to keep and to grow good jobs in

Connecticut, harder for our children to find those jobs and afford to stay here, and harder for retirees to make their homes here.

CBIA, therefore, urges a bipartisan effort to work with the Governor to reinforce those principles and identify and achieve additional structural savings targets now that can be used to create better budget sustainability. This is important because while we appreciate the areas continuing or adding on to business tax reform and adjustments in the budget we are quite concerned that the substantial cuts impacting over 130 municipalities may lead to property tax increases for companies.

I have the opportunity to speak to dozens of groups across Connecticut, and I'd like to share with you what I tell them. Connecticut has enormous economic potential. Indeed, I am confident, even bullish, on Connecticut's economic prospects and our likelihood to build upon gains and manufacturing success in defense and aerospace. The best social program you can give people is good jobs and job opportunity. We can be on our way to achieve that, and this budget plan can be a step in the right direction building upon last year's no business tax increase budget.

That said, every economic outlook I give has "downside risks." One I always cite is the impact that public policy can have to arrest or minimize growth potential. You can't build an economy on shifting sands. Connecticut must effectively manage its state budget to maximize growth potential by providing confidence for investors to create jobs that will have a positive effect on our economy and for our citizens.

In a CBIA survey 88% of business executive respondents indicated the state tax policy impacts the decisions they make on investment and location decisions. Remember about 80% of job growth comes from **existing firms** seeking to grow in state operations. The more effective and efficient state government is, the better our business climate will be and the sooner we will see new good jobs

created. In addition, Connecticut will be better able to compete with other states to grow and retain existing businesses as well as bring new companies into our state. And those other states are not asleep. We see aggressive new policies to raid our best businesses not only from overseas or from southern states but from Massachusetts, New York and Rhode Island.

Connecticut policies that help and not hinder the still recovering economy are essential to solving our state's **long-term** budget problems. Only a strong economy and confidence by business decision makers in our government can provide the jobs people need and the revenues necessary to underwrite essential state services now and in the future.

Therefore, making Connecticut government more efficient isn't just a desired goal--it's essential to building and sustaining a healthy economy and an improved quality of life. While the economy is certainly improving we still job growth far behind the US and nearby states.

Connecticut's fiscal situation has come out of several severe crises, but the next few years see serious challenges including unfunded liabilities. What will we do to fix our problems in the long run? What can we do to create a climate that encourages growth, expansion and really significant job creation? Tax increases do not solve revenue problems, economic growth does!

Now is the time for this committee and the legislature to do serious work on our fiscal condition. Now is still the time to be prudent in spending and to seek out and seize opportunities for cost savings. Now is the time to safeguard operational investments that lower costs over the long run in areas like social services and corrections. It's also the time to safeguard careful and calculated investments that enhance economic expansion.

This budget-- and its underlying principles -- give you a starting point!

Some areas of a budget plan that we think are important and we ask you all to support include:

- Having the budget come in under the spending cap
- Advocating use of not for profit providers for more services to lower costs and improve customer service.
- Supporting long term and comprehensive transportation infrastructure needs.
- Continuing prison reform initiated in the "Second Chance" initiatives.
- Realizing appropriate shared sacrifice by state union workers be negotiated into this budget

Obviously, deep concerns have already been raised by the proposals to cut many municipalities aid and to make adjustments that may increase some hospital costs. To mitigate some of this and provide a better budget cushion further adjustments need to begin now in some areas. Some of these require action; others are being addressed slowly but require broader or faster action. Three of these, long-term care, corrections, and shifting more services to not for profit providers, may increase savings while not hurting clients or public safety. CT21 has information on the first two, the nonprofit providers have a report on the last item.

While controlling state spending is a substantial and difficult task, we hope the committee and the General Assembly will make the necessary difficult decisions that will provide an improved fiscal climate for our state while fully protecting our still fragile economy. CBIA trusts that the General Assembly will see to it that the budget is used as a tool to help create future economic growth that will lead to more jobs and job opportunity, more wealth and security for our citizens and ensure greater budget flexibility in future years. Thank you for the opportunity to present this testimony.